

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

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E.O. 11652: N/A

TAGS: EIND, EEC

SUBJECT: EC COMMISSION APPROVES BRITISH GOVERNMENT AID TO CHRYSLER UK

REF EC BRUSSELS 11368

1. AT ITS MEETING ON DEC 22 THE EC COMMISSION APPROVED THE BRITISH GOVERNMENT'S AID PACKAGE TO CHRYSLER UK. IN JUSTIFYING THE DECISION, THE EC SPOKESMAN CITED THE ECONOMIC AND EMPLOYMENT PROBLEMS THAT WOULD BE CAUSED IN THE UK WERE CHRYSLER TO CLOSE DOWN. WE HAVE NOT YET RECEIVED A FULL REPORT ON THE DECISION BUT UNDERSTAND IT WAS BASED ON ROME TREATY ART. 92.3.C. WHICH ALLOWS AID "WHERE SUCH AID DOES NOT ADVERSELY AFFECT TRADING CONDITIONS TO AN EXTENT CONTRARY TO THE COMMON INTEREST." WE WERE TOLD THAT SOME COMMISSIONERS ARGUED THAT CHRYSLER UK WAS SO FAR FROM BEING COMPETITIVE WITH OTHER EUROPEAN CAR-MAKERS THAT BRITISH AID COULD NOT BE CONSIDERED AS ADVERSELY AFFECTING COMPETITION. REGARDLESS OF WHATEVER LEGAL JUSTIFICATIONS WILL BE ADVANCED, THE DECISION APPEARS TO BE ENTIRELY POLITICAL SINCE FUNDAMENTAL COMMISSION GUIDELINES ON STATE AIDS WERE ABANDONED. (SEE REFTEL.)

2. WE HAD BEEN TOLD THAT THE COMMISSION SERVICES HAD PROPOSED TO THE COMMISSION THAT IT HOLD A MEETING WITH REPRESENTATIVES OF THE MEMBER STATES TO OBTAIN THEIR OPINION ON THE BRITISH AID

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PACKAGE. CHRYSLER WOULD ALSO HAVE HAD TO ANSWER QUESTIONS EITHER

ORALLY OR IN WRITING. THIS PROCEDURE APPARENTLY WAS DISCARDED
BECAUSE IT WOULD TAKE TOO LONG IN THE LIGHT OF THE FRAGILITY OF
THE UK CHRYSLER AGREEMENT AND THE JAN 1 DEADLINE GIVEN BY
CHRYSLER. A COMMISSION CONTACT SAID THAT ALTHOUGH ONE MIGHT IN
GENERAL, DISCOUNT CHRYSLER UK'S COMPETITIVITY, CHRYSLER UK
REPRESENTS 10 PERCENT OF THE UK AUTO MARKET. GREENWALD

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